

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1778 - HB 1830

February 20, 2020

**SUMMARY OF ORIGINAL BILL:** Clarifies that a “bed and breakfast homestay” may be operated in a private condominium, as well as a private home, for purposes of the *Bed and Breakfast Establishment Inspection Act of 1990*.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

IMPACT TO COMMERCE OF ORIGINAL BILL:

NOT SIGNIFICANT

**SUMMARY OF AMENDMENT (013520):** Deletes all language after the enacting clause. Defines the term “transferred” as it relates to regulations governing Short Term Rental Property (STRP) by local governments.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

**Other Fiscal Impact – A precise fiscal impact to local government cannot reasonably be determined given the extent of unknown factors.**

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 13-7-603 and § 13-7-604, effective May 17, 2018, local ordinances, regulations, and requirements governing STRPs which are in place on the date a property becomes a STRP, are the ordinances, regulations, and requirements which govern such property until the property is sold, transferred, ceases to be a STRP for 30 continuous months, or is found in violation of such local requirements 3 or more times.
- The proposed language defines the term transferred to mean:
  - An interest in real estate was conveyed on or after May 17, 2018; and
  - The transfer tax was levied on the conveyance pursuant to Tenn. Code Ann. § 67-4-409.

- Pursuant to Tenn. Code Ann. § 67-4-409, a state privilege tax is assessed on the transfer of any interest in real estate, except when such transfer is a:
  - Creation or dissolution of a tenancy by the entirety;
  - Deed of division in kind of realty formerly held by tenants in common;
  - Release of a life estate to the beneficiaries of the remainder interest;
  - Deed executed by an executor to implement a testamentary devise;
  - Domestic settlement decree or deed that is an adjustment of property rights between divorcing parties;
  - Transfer of real estate to a revocable living trust or from a revocable living trust back to the transferor or their spouse;
  - Deed executed by a trustee of a revocable living trust to implement a testamentary devise by the trustor of the trust; or
  - Deed executed by a trustee of a testamentary trust or revocable living trust to implement the distribution of the real property to a trust beneficiary.
- The proposed language will result in STRPs which are transferred, but not required to pay a transfer tax, to remain under the governance of their current governing ordinances and regulations. It is unknown if such STRPs would have been required to reapply for a permit to maintain status as an STRP and the extent of any such application fee charged by the local government.
- The extent of STRPs statewide which are transferred in a method which exempts owners from payment of the transfer tax, the extent of current regulations governing such STRPs, and the extent of regulations which would govern such STRPs in the absence of this legislation is unknown. A precise impact to local government cannot reasonably be determined given the extent of unknown factors.

## **IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:**

**Other Fiscal Impact – A precise impact to commerce in Tennessee cannot reasonably be determined given the extent of unknown factors.**

Assumptions for the bill as amended:

- The proposed language will result in STRPs which are transferred, but not required to pay a transfer tax, to remain under the governance of their current governing ordinances and regulations. It is unknown if such STRPs would have been required to reapply for a permit to maintain status as an STRP and the extent of any such application fee charged by the local government.
- A precise impact to commerce in Tennessee cannot reasonably be determined given the extent of unknown factors.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The script is cursive and fluid.

Krista Lee Carsner, Executive Director

/jrh